**T.C. Terrytex Limited**
**April 10, 2017**

**Ratings**

| Facilities/Instruments | Amount (Rs. crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term Bank Facilities | 149.35 | **CARE BB+; ISSUER NOT COOPERATING (Double B Plus; ISSUER NOT COOPERATING)** | **Issuer Not Cooperating; on the basis of best available information** |
| Short-term Bank Facilities | 24.00 | **CARE A4+; ISSUER NOT COOPERATING (A Four Plus; ISSUER NOT COOPERATING)** | **Issuer Not Cooperating; on the basis of best available information** |
| **Total** | **173.35**<br><br>**(Rupees One hundred Seventy Three crore and Thirty Five lakh only)** | | |

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

CARE has been seeking information from T.C. Terrytex Limited (TCTL), to monitor the ratings vide e-mail communications/letters dated October 25, 2016; February 28, 2017; March 02, 2017; March 03, 2017; March 07, 2017 & March 09, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on T.C. Terrytex Limited Limited's bank facilities will now be denoted as **CARE BB+/CARE A4+; ISSUER NOT COOPERATING**.

***Users of these ratings (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.***

**Detailed description of the key rating drivers**

**Key Rating Weaknesses**

***Working capital intensive nature of operations:*** The operations of the company are working capital intensive in nature marked by an elongated operating cycle of ~154 days as on March 31, 2016.

***Susceptibility of margins to raw material price fluctuations and foreign exchange rate movement:*** The operations of TCTL are raw material intensive in nature with the material cost constituting ~63% on an average (of the total income) for the last three years. This exposes the margins to any adverse movement in the raw material prices. Furthermore, the margins are also vulnerable to the fluctuation in the foreign exchange rates. TCTL's exports in FY16 stood at Rs.141 crore.

***Client concentration risk:*** The revenue of the company is concentrated with top-6 customers contributing ~50% of total income during FY15. However, the risk is mitigated to some extent as the clients to whom HFL supplies its products are well established players in the market and the company has been established strong relation with these companies and gets regular orders from them.

***Highly competitive and fragmented nature of the industry***

The company operates in a highly fragmented textile manufacturing industry wherein the presence of large number of entities in the unorganized sector and established players in the organized sector limits the bargaining power with customers. Furthermore, the firm is also exposed to competitive pressures from domestic players as well as from players situated in China and Bangladesh.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

***Moderately weak solvency position:*** The capital structure of the company remained moderately leveraged with overall gearing ratio of 1.53x, as on March 31, 2016. The debt coverage indicator remained moderate with total debt to GCA of 6.82x, as on March 31, 2016 and the PBILDT interest coverage ratio of 2.06x in FY16.

**Key Rating Strengths**

***Experienced promoter:*** The company is promoted by Mr Anil Satia and his son, Mr Akhil Satia who have an experience of around four decades and one decade, respectively, in the textile business.

***Semi-Integrated nature of operations:*** The company has an in-house dyed yarn manufacturing division which provides company with certain level of integration as 25%-30% of the dyed yarn manufactured in the company is used in the manufacturing of terry towel.

***Increasing scale of operations:*** The company's operating income grew at around 4% (y-o-y basis) in FY16 to Rs.380.31 crore

**Analytical approach**– Standalone

**Applicable Criteria**

Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
Financial ratios – Non-Financial Sector
CARE's methodology for manufacturing companies
CARE's policy on default recognition
Criteria for short-term instruments

**About the Company**

T.C Terrytex Ltd. (TCTL), a unit of Satia Group, is a public limited company (closely held), incorporated in 2005 and promoted by Mr Anil Satia and his son Mr Akhil Satia. The company is primarily engaged in the manufacturing of terry towels and dyed yarn at its manufacturing facility located at Lalru, Dist. Mohali, Punjab, with a total installed capacity of 7000MT/year for terry towels and 5400MT/year for dyed yarn. All the processes involved in manufacturing of towels i.e. sizing to dispatch are in-house. Furthermore, TCTL also exports its products to various countries such as Australia, USA, Netherland, Hong Kong, Japan, Dubai, etc.

**Status of non-cooperation with previous CRA:**

1. In absence of requisite information, TCTL's ratings with ICRA have been suspended vide its press release dated October 28, 2013.
2. In absence of requisite information, TCTL's ratings with India Ratings & Research have been withdrawn vide its press release dated December 16, 2016. (Suspended on May 10, 2016)

**Any other information:** Not Applicable
**Rating History for last three years:** Please refer Annexure-2

***Note on complexity levels of the rated instrument:*** *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit

Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**Annexure-1: Details of Instruments/Facilities**

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---|---|---|---|---|---|
| Fund-based - LT-Cash Credit | - | - | - | 100.00 | CARE BB+; ISSUER NOT COOPERATING |
| Fund-based - LT-Term Loan | - | - | - | 49.35 | CARE BB+; ISSUER NOT COOPERATING |
| Non-fund-based - ST-BG/LC | - | - | - | 24.00 | CARE A4+; ISSUER NOT COOPERATING |

**Annexure-2: Rating History of last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 |
| 1. | Fund-based - LT-Cash Credit | LT | 100.00 | CARE BB+; ISSUER NOT COOPERATING | - | - | 1)CARE BB+ (23-Nov-15) | - |
| 2. | Fund-based - LT-Term Loan | LT | 49.35 | CARE BB+; ISSUER NOT COOPERATING | - | - | 1)CARE BB+ (23-Nov-15) | - |
| 3. | Non-fund-based - ST-BG/LC | ST | 24.00 | CARE A4+; ISSUER NOT COOPERATING | - | - | 1)CARE A4+ (23-Nov-15) | - |

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